

AMENDED IN ASSEMBLY JUNE 14, 2010

AMENDED IN ASSEMBLY JUNE 2, 2010

**SENATE BILL**

**No. 1480**

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**Introduced by Committee on Governmental Organization (Senators Wright (Chair), Calderon, Denham, Florez, Harman, Negrete McLeod, Oropeza, Padilla, Price, Wyland, and Yee)**

March 8, 2010

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An act to amend Sections 23055, 23357.2, 23358.3, 23366.3, 23399, 23399.4, 24044.5, 24045.11, 25503.15, and 25505 of the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

SB 1480, as amended, Committee on Governmental Organization. Alcoholic beverages: tied-house ~~restrictions~~. *restrictions: operating permits.*

(1) Under existing law, the Alcoholic Beverage Control Act is administered by the Department of Alcoholic Beverage Control. Existing law requires the director of the department to make an annual report to the Legislature on the department's activities, which includes recommendations for legislation to improve the department's abilities to administer the act.

This bill would revise the report requirements to no longer include legislative recommendations.

(2) The Alcoholic Beverage Control Act provides for the issuance of licenses for which various annual fees are charged depending upon the type of license issued. Existing law authorizes the Department of Alcoholic Beverage Control to annually adjust the fees charged commencing with the 2010 calendar year by an amount not to exceed an inflation factor based on the Consumer Price Index.

This bill would make technical, nonsubstantive changes to reflect existing law.

(3) Existing provisions of the Alcoholic Beverage Control Act, known as “tied-house” restrictions, generally prohibit a winegrower from having an ownership interest in an on-sale alcoholic beverage license, with limited exceptions. Among other exemptions, existing law exempts from the tied-house restrictions any licensed winegrower who meets specified conditions and any on-sale licensee that holds any ownership or interest in a winegrower, including that the winegrower or on-sale licensee, or his or her officer, director, or agent, enters into an undertaking, approved by the Department of Alcoholic Beverage Control, that makes specified statements regarding the sale or furnishing of wine by the winegrower, or any officer, director, or agent of the winegrower.

This bill would retain the requirement that the winegrower or on-sale licensee, or officer, director, or agent meet the specified conditions regarding the sale or furnishing of wine under the circumstances described above, but would eliminate the requirement that statements describing these conditions be made pursuant to an undertaking approved by the department.

*(4) Existing law authorizes the Department of Alcoholic Beverage Control, in its discretion, to issue an interim retail permit to an applicant for any retail license to operate the premises during the period an application for a license at the premises is pending, subject to specified conditions.*

*This bill would revise the authorization of the Department of Alcoholic Beverage Control to, in its discretion, issue an interim operating permit to an applicant for any license to operate the premises during the period an application for a license at the premises is pending, subject to specified conditions applicable to all licensees or retail licensees only.*

*(5) The Alcoholic Beverage Control Act provides that a violation of any of its provisions for which another penalty or punishment is not specifically provided is a misdemeanor. This bill would expand existing crimes by imposing additional duties on a licensee under the act, thus, the bill would impose a state-mandated local program.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 23055 of the Business and Professions
- 2 Code is amended to read:
- 3 23055. On or before March 1 of each year, the director shall
- 4 prepare and submit to the Legislature an annual report on the
- 5 department's activities. The report shall include, but not be limited
- 6 to, the following information for the previous calendar year:
- 7 (a) The amount of funds allocated and spent by the department
- 8 for licensing, enforcement, and administration.
- 9 (b) The number of licenses issued, renewed, denied, suspended,
- 10 and revoked, by license category.
- 11 (c) The average time for processing license applications, by
- 12 license category.
- 13 (d) The number and type of enforcement activities conducted
- 14 by the department and by local law enforcement agencies in
- 15 conjunction with the department.
- 16 (e) The number, type, and amount of penalties, fines, and other
- 17 disciplinary actions taken by the department.
- 18 SEC. 2. Section 23357.2 of the Business and Professions Code
- 19 is amended to read:
- 20 23357.2. (a) An out-of-state beer manufacturer's certificate
- 21 may be issued by the department upon the written undertaking and
- 22 agreement by the applicant:
- 23 (1) That it and its agents and all agencies within this state
- 24 controlled by it shall comply with all laws of this state and all rules
- 25 of the department with respect to the sale of alcoholic beverages,
- 26 including, but not limited to, Chapter 12 (commencing with Section
- 27 25000) of Division 9, and Section 25509, to the same extent as
- 28 licensees.
- 29 (2) That it shall make available, both in California and outside
- 30 the state, for inspection and copying by the department, all books,
- 31 documents, and records, located both within and without this state,
- 32 which are pertinent to the activities of the applicant, its agents and

1 agencies within this state controlled by it, in connection with the  
2 sale and distribution of its products within this state.

3 (b) The department may suspend or revoke an out-of-state beer  
4 manufacturer's certificate for cause in the manner provided for  
5 the suspension or revocation of licenses, and after a hearing which  
6 shall be held in the City of Sacramento or in any other county seat  
7 in this state as the department determines to be convenient to the  
8 holder of an out-of-state certificate.

9 (c) The annual fees for an out-of-state beer manufacturer's  
10 certificate shall be fifty-four dollars (\$54) for certificates issued  
11 during the 2002 calendar year, fifty-seven dollars (\$57) for  
12 certificates issued during the 2003 calendar year, sixty dollars  
13 (\$60) for certificates issued during the 2004 calendar year, and for  
14 certificates issued during the years thereafter, the annual fee shall  
15 be calculated pursuant to subdivisions (c) and (d) of Section 23320.

16 (d) All money collected from the fees provided for in this section  
17 shall be deposited in the Alcohol Beverage Control Fund as  
18 provided by Section 25761.

19 SEC. 3. Section 23358.3 of the Business and Professions Code  
20 is amended to read:

21 23358.3. A wine grape grower's storage license authorizes the  
22 holder to store bulk wine, made from grapes produced by the  
23 holder, on the premises of a licensed winegrower and to sell that  
24 wine, within this state, to winegrowers, distilled spirits  
25 manufacturers, brandy manufacturers, wine blenders, and vinegar  
26 producers.

27 The annual fee for a wine grape grower's storage license shall  
28 be sixty dollars (\$60) for licenses issued during the 2002 calendar  
29 year, sixty-four dollars (\$64) for licenses issued during the 2003  
30 calendar year, sixty-seven dollars (\$67) for licenses issued during  
31 the 2004 calendar year, and for licenses issued during the years  
32 thereafter, the annual fee shall be calculated pursuant to  
33 subdivisions (c) and (d) of Section 23320.

34 SEC. 4. Section 23366.3 of the Business and Professions Code  
35 is amended to read:

36 23366.3. (a) An out-of-state distilled spirits shipper's certificate  
37 may be issued by the department upon the written undertaking and  
38 agreement by the applicant:

1 (1) That it and its agents and all agencies within this state  
2 controlled by it shall comply with all laws of this state and all rules  
3 of the department with respect to the sale of alcoholic beverages;

4 (2) That it shall make available, both in California and outside  
5 the state, for inspection and copying by the department, all books,  
6 documents, and records, located both within and without the state,  
7 which are pertinent to the activities of the applicant, its agents and  
8 agencies within this state controlled by it, in connection with the  
9 sale and distribution of its products within this state.

10 (b) The department may suspend or revoke an out-of-state  
11 distilled spirits shipper's certificate for cause in the manner  
12 provided for the suspension and revocation of licenses, and after  
13 a hearing which shall be held in the City of Sacramento or in such  
14 other county seat in the state as the department determines to be  
15 convenient to the holder of an out-of-state distilled spirits shipper's  
16 certificate.

17 (c) The annual fees for an out-of-state distilled spirits shipper's  
18 certificate shall be fifty-four dollars (\$54) for certificates issued  
19 during the 2002 calendar year, fifty-seven dollars (\$57) for  
20 certificates issued during the 2003 calendar year, sixty dollars  
21 (\$60) for certificates issued during the 2004 calendar year, and for  
22 certificates issued during the years thereafter, the annual fee shall  
23 be calculated pursuant to subdivisions (c) and (d) of Section 23320.

24 (d) All money collected from the fees provided for in this section  
25 shall be deposited in the Alcohol Beverage Control Fund, as  
26 provided by Section 25761.

27 SEC. 5. Section 23399 of the Business and Professions Code  
28 is amended to read:

29 23399. (a) An on-sale general license authorizes the sale of  
30 beer, wine, and distilled spirits for consumption on the premises  
31 where sold. Any licensee under an on-sale general license, an  
32 on-sale beer and wine license, a club license, or a veterans' club  
33 license may apply to the department for a caterer's permit. A  
34 caterer's permit under an on-sale general license shall authorize  
35 the sale of beer, wine, and distilled spirits for consumption at  
36 conventions, sporting events, trade exhibits, picnics, social  
37 gatherings, or similar events held any place in the state approved  
38 by the department. A caterer's permit under an on-sale beer and  
39 wine license shall authorize the sale of beer and wine for  
40 consumption at conventions, sporting events, trade exhibits,

1 picnics, social gatherings, or similar events held any place in the  
2 state approved by the department. A caterer's permit under a club  
3 license or a veterans' club license shall authorize sales at these  
4 events only upon the licensed club premises.

5 (b) Any licensee under an on-sale general license or an on-sale  
6 beer and wine license may apply to the department for an event  
7 permit. An event permit under an on-sale general license or an  
8 on-sale beer and wine license shall authorize, no more than four  
9 days in any single calendar year, the sale of beer, wine, and distilled  
10 spirits only under an on-sale general license or beer and wine only  
11 under an on-sale beer and wine license for consumption on property  
12 adjacent to the licensed premises and owned or under the control  
13 of the licensee. This property shall be secured and controlled by  
14 the licensee and not visible to the general public.

15 (c) This section shall in no way limit the power of the  
16 department to issue special licenses under the provisions of Section  
17 24045 or to issue daily on-sale general licenses under the provisions  
18 of Section 24045.1. Consent for sales at each event shall be first  
19 obtained from the department in the form of a catering or event  
20 authorization issued pursuant to rules prescribed by it. Any event  
21 authorization shall be subject to approval by the appropriate local  
22 law enforcement agency. Each catering or event authorization shall  
23 be issued at a fee not to exceed ten dollars (\$10) and this fee shall  
24 be deposited in the Alcohol Beverage Control Fund as provided  
25 in Section 25761.

26 (d) At all approved events, the licensee may exercise only those  
27 privileges authorized by the licensee's license and shall comply  
28 with all provisions of the act pertaining to the conduct of on-sale  
29 premises and violation of those provisions may be grounds for  
30 suspension or revocation of the licensee's license or permit, or  
31 both, as though the violation occurred on the licensed premises.

32 (e) The fee for a caterer's permit for a licensee under an on-sale  
33 general license, a caterer's permit for a licensee under an on-sale  
34 beer and wine license, or an event permit for a licensee under an  
35 on-sale general license or an on-sale beer and wine license shall  
36 be one hundred four dollars (\$104) for permits issued during the  
37 2002 calendar year, one hundred seven dollars (\$107) for permits  
38 issued during the 2003 calendar year, one hundred ten dollars  
39 (\$110) for permits issued during the 2004 calendar year, and for  
40 permits issued during the years thereafter, the annual fee shall be

1 calculated pursuant to subdivisions (c) and (d) of Section 23320,  
2 and the fee for a caterer's permit for a licensee under a club license  
3 or a veterans' club license shall be as specified in Section 23320,  
4 and the permit may be renewable annually at the same time as the  
5 licensee's license. A caterer's or event permit shall be transferable  
6 as a part of the license.

7 SEC. 6. Section 23399.4 of the Business and Professions Code  
8 is amended to read:

9 23399.4. (a) A licensee under a winegrower's license may  
10 apply to the department for a certified farmers' market sales permit.  
11 A certified farmers' market sales permit shall authorize the  
12 licensee, a member of the licensee's family, or an employee of the  
13 licensee to sell wine produced and bottled by the winegrower  
14 entirely from grapes grown by the winegrower at a certified  
15 farmers' market at any place in the state approved by the  
16 department. The permit may be issued for up to 12 months but  
17 shall not be valid for more than one day a week at any single  
18 specified certified farmers' market location. A winegrower may  
19 hold more than one certified farmers' market sales permit. The  
20 department shall notify the city, county, or city and county and  
21 applicable law enforcement agency where the certified farmers'  
22 market is to be held of the issuance of the permit. A "certified  
23 farmers' market" means a location operated in accordance with  
24 Chapter 10.5 (commencing with Section 47000) of Division 17 of  
25 the Food and Agricultural Code, and the regulations adopted  
26 pursuant thereto.

27 (b) The licensed winegrower eligible for the certified farmers'  
28 market sales permit shall not sell more than 5,000 gallons of wine  
29 annually pursuant to all certified farmers' market sales permits  
30 held by any single winegrower. The licensed winegrower shall  
31 report total certified farmers' market wine sales to the department  
32 on an annual basis. The report may be included within the annual  
33 report of production submitted to the department, or pursuant to  
34 any regulation as may be prescribed by the department.

35 (c) The fee for any permit issued pursuant to this section shall  
36 be forty-four dollars (\$44) for permits issued during the 2002  
37 calendar year, forty-seven dollars (\$47) for permits issued during  
38 the 2003 calendar year, fifty dollars (\$50) for permits issued during  
39 the 2004 calendar year, and for permits issued during the years

1 thereafter, the annual fee shall be calculated pursuant to  
2 subdivisions (c) and (d) of Section 23320.

3 (d) All money collected as fees pursuant to this section shall be  
4 deposited in the Alcohol Beverage Control Fund as provided in  
5 Section 25761.

6 *SEC. 7. Section 24044.5 of the Business and Professions Code*  
7 *is amended to read:*

8 24044.5. (a) The department, in its discretion, may issue an  
9 interim-~~retail~~ *operating* permit to an applicant for any-~~retail~~ license  
10 to operate the premises during the period an application for a  
11 license at the premises is pending and when all of the following  
12 conditions exist:

13 (1) The application has been protested pursuant to Article 3  
14 (commencing with Section 24011).

15 (2) The department has made a determination based upon its  
16 investigation that the license should be issued.

17 (3) The applicant for the interim-~~retail~~ *operating* permit has  
18 filed with the department an application for issuance of a license  
19 at the premises to himself or herself.

20 (4) The application for the interim-~~retail~~ *operating* permit is  
21 accompanied by a fee of one hundred dollars (\$100).

22 (b) An interim-~~retail~~ *operating* permit issued by the department  
23 pursuant to this section shall be for a period not to exceed 120  
24 days. An interim-~~retail~~ *operating* permit may be extended at the  
25 discretion of the department for additional 120-day periods as  
26 necessary upon payment of an additional fee of one hundred dollars  
27 (\$100) and upon compliance with all conditions required by this  
28 section. Any interim *operating*-~~retail~~ permit issued by the  
29 department shall be automatically canceled when a final  
30 determination made by the department regarding the protests  
31 becomes effective or when the application for the-~~retail~~ license is  
32 withdrawn, whichever occurs first. An interim-~~retail~~ *operating*  
33 permit is a conditional permit and authorizes the holder ~~thereof to~~  
34 ~~sell alcoholic beverages as would be permitted to be sold under~~  
35 ~~the to whom issued to exercise the rights and~~ privileges of the  
36 license for which the application has been filed with the  
37 department. Any conditions for which the applicant has petitioned  
38 pursuant to Article 1.5 (commencing with Section 23800) of  
39 Chapter 5 shall apply to any interim-~~retail~~ *operating* permit issued  
40 by the department.



(c) Purchase of beer and wine by the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license shall be made only upon payment before or at the time of delivery in currency or by check. Purchase of distilled spirits by the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license shall be made only upon payment before or at the time of delivery in currency or by certified check. However, the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license, who also holds one or more retail licenses and is operating under the retail license or licenses in addition to the interim ~~retail~~ operating permit, and who is not delinquent under the provisions of Section 25509 as to any retail license under which he or she operates, may purchase alcoholic beverages on credit under the interim ~~retail~~ operating permit.

(d) All checks received by a seller for beer or wine purchased by the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license shall be deposited not later than the second business day following the date the beer or wine is delivered.

A check dishonored on presentation shall not be deemed payment. The receipt by the seller or his or her agent in good faith from a holder of a ~~temporary~~ an interim operating permit of a check dishonored on presentation shall not be cause for disciplinary action against the seller.

(e) Issuance of the license for which the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license has filed an application shall not be approved by the department until the holder of the interim ~~retail~~ operating permit has filed with the department a statement executed under penalty of perjury that all current obligations have been discharged, and that all outstanding checks issued by him or her in payment for alcoholic beverages will be honored on presentation.

(f) It shall not be a violation of this section or grounds for disciplinary action for any licensee to extend credit to the holder of an interim ~~retail~~ operating permit issued to an applicant for a retail license or to receive payment from the ~~permittee~~ holder of an interim operating permit in a manner other than authorized herein unless the seller has knowledge of the fact that the purchaser was operating under an interim ~~retail~~ operating permit. Knowledge of the fact may be established by evidence, including, but not

1 limited to, evidence that, at the time of receipt of payment or the  
2 extension of credit, the premises operated under an interim-~~retail~~  
3 *operating* permit were posted with the notice required by Section  
4 23985, or the holder of the interim-~~retail~~ *operating* permit has  
5 recorded notice as required by Section 24073, or the holder of the  
6 interim-~~retail~~ *operating* permit has published notice as required  
7 by Section 23986, or the holder of the interim-~~retail~~ *operating*  
8 permit has recorded and published notice pursuant to Division 6  
9 (commencing with Section 6101) of the Commercial Code.

10 (g) Refusal by the department to issue or extend an interim-~~retail~~  
11 *operating* permit shall not entitle the applicant to petition for the  
12 permit pursuant to Section 24011, or to a hearing pursuant to  
13 Section 24012. Articles 2 (commencing with Section 23985) and  
14 3 (commencing with Section 24011) shall not apply to interim  
15 ~~retail~~ *operating* permits.

16 (h) Notwithstanding any other provision of law, the department  
17 may, in its discretion, cancel or suspend summarily at any time an  
18 interim-~~retail~~ *operating* permit if the department determines that  
19 good cause for the cancellation or suspension exists. Chapter 8  
20 (commencing with Section 24300) shall not apply to interim-~~retail~~  
21 *operating* permits.

22 (i) Application for an interim-~~retail~~ *operating* permit shall be  
23 on any form the department shall prescribe. If an application for  
24 an interim-~~retail~~ *operating* permit is withdrawn before issuance or  
25 is refused by the department, the fee that accompanied the  
26 application shall be refunded in full, and Section 23959 shall not  
27 apply. Fees received by the department for issuance of interim  
28 ~~retail~~ *operating* permits shall be deposited in the Alcohol Beverage  
29 Control Fund as provided in Section 25761.

30 ~~SEC. 7.~~

31 *SEC. 8.* Section 24045.11 of the Business and Professions Code  
32 is amended to read:

33 24045.11. The department may issue a special on-sale wine  
34 license to an establishment licensed to do business as a bed and  
35 breakfast inn.

36 “Bed and breakfast inn,” as used in this section, means an  
37 establishment of 20 guestrooms or less, which provides overnight  
38 transient occupancy accommodations, which serves food only to  
39 its registered guests, which serves only a breakfast or similar early  
40 morning meal, and with respect to which the price of the food is

1 included in the price of the overnight transient occupancy  
2 accommodation. For purposes of this section, “bed and breakfast  
3 inn” refers to an establishment as to which the predominant  
4 relationship between the occupants thereof and the owner or  
5 operator of the establishment is that of innkeeper and guest. For  
6 purposes of this section, the existence of some other legal  
7 relationships as between some occupants and the owner or operator  
8 is immaterial.

9 An establishment holding a license under this section is  
10 authorized to serve wine purchased from a licensed winegrower  
11 or wine wholesaler only to registered guests of the establishment.  
12 Wine shall not be given away to guests but the price of the wine  
13 shall be included in the price of the overnight transient occupancy  
14 accommodation. Guests shall not be permitted to remove wine  
15 served in the establishment from the grounds.

16 The applicant for a license shall accompany the application with  
17 an original fee of fifty dollars (\$50) and shall pay an annual renewal  
18 fee of six dollars (\$6) for each guestroom in the establishment until  
19 December 31, 2004, and for each year thereafter the annual fee  
20 shall be calculated pursuant to subdivisions (c) and (d) of Section  
21 23320.

22 ~~SEC. 8.~~

23 *SEC. 9.* Section 25503.15 of the Business and Professions Code  
24 is amended to read:

25 25503.15. (a) Notwithstanding any other provision of this  
26 division, a winegrower who manufactures, produces, bottles,  
27 processes, imports, or sells wine only, or any officer, director, or  
28 agent of that person, may hold the ownership of any interest in  
29 any on-sale license, if both of the following conditions exist:

30 (1) Neither that person, nor any officer, director, or agent of  
31 that person, sells or furnishes to the holder of the license any wine,  
32 or permits the sale pursuant to that license of any wine,  
33 manufactured, produced, wholesaled, bottled, processed, imported,  
34 or sold by that person or that person’s principal for as long as that  
35 ownership continues.

36 (2) Neither that person, nor any officer, director, or agent of  
37 that person, enters into any collusive scheme, whereby he or she  
38 unfairly sells or promotes, in his or her on-sale businesses, the  
39 wine of another winegrower who manufactures, produces, bottles,  
40 processes, imports, or sells wine only, in return for his or her wine

1 being unfairly sold or promoted in the on-sale businesses of that  
2 winegrower.

3 (b) Notwithstanding any other provision of this division, any  
4 licensed winegrower or any winegrower who has a wholesale  
5 license, or any officer, director, or agent of that person, may hold,  
6 directly or indirectly, the ownership of any interest in an on-sale  
7 license, provided that each of the following conditions is met:

8 (1) The on-sale licensed premises are licensed as a bona fide  
9 public eating place as defined in Section 23038, or as a bona fide  
10 bed and breakfast inn as defined in Section 24045.11.

11 (2) The on-sale licensed premises purchases all alcoholic  
12 beverages sold and served at the on-sale licensed premises only  
13 from California wholesale licensees, other than the licensed  
14 winegrower who has a wholesale license and an interest in an  
15 on-sale license, unless one of the following conditions is met:

16 (A) The wine purchased is produced or bottled by, or produced  
17 and packaged for, the same licensed winegrower that holds an  
18 interest in the on-sale license.

19 (B) The wine is produced or bottled by, and is purchased from,  
20 a licensed winegrower who sells no more than 125,000 gallons of  
21 wine per year for distribution in this state under all brands or trade  
22 names owned by that winegrower.

23 (C) The wine is purchased by an on-sale licensee in whose  
24 on-sale license a licensed winegrower holds an interest, provided  
25 that the winegrower sells no more than 125,000 gallons of wine  
26 per year for distribution in this state under all brands or trade names  
27 owned by that winegrower.

28 (3) The licensed winegrower and any officer, director, or agent  
29 of that person, whether individually or in the aggregate, do not sell  
30 and serve the wine products produced or bottled under any brand  
31 or trade name owned by that winegrower through more than two  
32 on-sale licensed premises in which any of them holds an ownership  
33 interest.

34 (4) The number of wine items by brand offered for sale by the  
35 on-sale licensed premises that are produced, bottled, processed,  
36 imported, or sold by the licensed winegrower or by any person  
37 holding any interest in the winegrower does not exceed 15 percent  
38 of the total wine items by brand listed and offered for sale in the  
39 licensed bona fide public eating place selling and serving that wine.

1 This paragraph does not apply to a bona fide bed and breakfast  
2 inn.

3 (c) The Legislature finds that it is necessary and proper to  
4 require a separation between manufacturing interests, wholesale  
5 interests, and retail interests in the production and distribution of  
6 alcoholic beverages in order to prevent suppliers from dominating  
7 local markets through vertical integration and to prevent excessive  
8 sales of alcoholic beverages produced by overly aggressive  
9 marketing techniques. The Legislature further finds that the  
10 exceptions established by this section to the general prohibition  
11 against tied interests must be limited to their express terms so as  
12 not to undermine the general prohibition, and intends that this  
13 section be construed accordingly.

14 ~~SEC. 9:~~

15 *SEC. 10.* Section 25505 of the Business and Professions Code  
16 is amended to read:

17 25505. No on-sale licensee, or any officer, director, employee,  
18 or agent of that licensee, shall hold any ownership or interest,  
19 directly or indirectly, in any manufacturer's, winegrower's,  
20 rectifier's, importer's, or wholesaler's license, the business  
21 conducted under that license, or the property used in the business.

22 The provisions of this section shall not apply to the holding by  
23 one person of a wholesaler's license and an on-sale license in a  
24 county with a population that does not exceed 15,000.

25 The provisions of this section shall not apply to the financial or  
26 representative relationship between a manufacturer, winegrower,  
27 manufacturer's agent, rectifier, distiller, bottler, importer, or  
28 wholesaler, or any officer, director, or agent of that person, and,  
29 except as otherwise specified, a person holding only one of the  
30 following types of licenses:

31 (a) On-sale general license for a bona fide club.

32 (b) Club license (issued under Article 4 (commencing with  
33 Section 23425) of Chapter 3 of this division).

34 (c) Veterans' club license (issued under Article 5 (commencing  
35 with Section 23450) of Chapter 3 of this division).

36 (d) On-sale license for boats, trains, sleeping cars or airplanes,  
37 except as provided in subdivision (e), where the alcoholic  
38 beverages produced or sold by that manufacturer, winegrower,  
39 manufacturer's agent, rectifier, bottler, importer, or wholesaler or

1 any officer, director, or agent of that person are not sold, furnished  
2 or given, directly or indirectly to the on-sale licensee.

3 The provisions of this section shall not prohibit the leasing of  
4 property by an on-sale licensee to a manufacturer, winegrower,  
5 rectifier, importer or wholesaler provided that the lease agreement  
6 is first approved by the department. The department shall approve  
7 the lease agreement unless it finds that the rent payable is not the  
8 fair rental value of the property or that the purpose of the lease is  
9 to violate any of the provisions of this chapter.

10 The provisions of this section shall not prohibit the holding of  
11 any ownership or interest by an on-sale licensee, or any officer,  
12 director, employee, or agent of any on-sale licensee, in any  
13 winegrower's license, which winegrower manufactures, produces,  
14 bottles, processes, imports, or sells wine only, or in the business  
15 conducted under any winegrower's license, provided the on-sale  
16 licensee, or the officer, director, employee, or agent thereof does  
17 not sell pursuant to that on-sale license any wine manufactured,  
18 produced, processed, imported, or sold by the licensed winegrower  
19 for so long as the holding of the ownership or interest continues.

20 (e) Any and all of the licenses specifically enumerated,  
21 mentioned, or described in Section 25503.30, either singly or in  
22 combination.

23 *SEC. 11. No reimbursement is required by this act pursuant*  
24 *to Section 6 of Article XIII B of the California Constitution because*  
25 *the only costs that may be incurred by a local agency or school*  
26 *district will be incurred because this act creates a new crime or*  
27 *infraction, eliminates a crime or infraction, or changes the penalty*  
28 *for a crime or infraction, within the meaning of Section 17556 of*  
29 *the Government Code, or changes the definition of a crime within*  
30 *the meaning of Section 6 of Article XIII B of the California*  
31 *Constitution.*